



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

August 5, 1998

**S. 2193**

**Trademark Law Treaty Implementation Act**

*As reported by the Senate Committee on the Judiciary on July 16, 1998*

**SUMMARY**

S. 2193 would amend certain provisions of trademark law to conform with international conventions. In addition, the bill would ease some restrictions on applying for or renewing trademarks and would establish two new surcharges. CBO estimates that implementing the bill would cost \$5 million over the 1999-2003 period, assuming appropriation of the necessary amounts. S. 2193 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

Section 4 of the Unfunded Mandates Reform Act (UMRA) excludes from the application of that act any legislative provisions that are necessary for the ratification or implementation of international treaty obligations. CBO has determined that S. 2193 fits within that exclusion, because it is necessary for the implementation of the Trademark Law Treaty.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

For purposes of this estimate, CBO assumes that S. 2193 will be enacted by the end of fiscal year 1998, and that the estimated amounts necessary to implement the bill will be appropriated by the start of each fiscal year. Outlays have been estimated on the basis of historical spending patterns for the Patent and Trademark Office (PTO) and information provided by the agency. The estimated budgetary impact of S. 2193 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
Net PTO Spending Under Current Law						
Estimated Authorization Level <sup>a</sup>	-44	71	74	76	79	81
Estimated Outlays	-51	21	27	34	34	33
Proposed Changes						
PTO Spending						
Estimated Authorization Level	0	4	2	2	3	3
Estimated Outlays	0	2	2	2	3	3
Offsetting Collections						
Estimated Authorization Level	0	-1	-1	-1	-2	-2
Estimated Outlays	0	-1	-1	-1	-2	-2
Net PTO Spending Under S. 2193						
Estimated Authorization Level	-44	74	75	77	80	82
Estimated Outlays	-51	22	28	35	35	34

a. The 1998 level is the amount appropriated for that year, net of estimated offsetting collections. The amounts shown for subsequent years reflect the CBO baseline, including increases in gross spending levels to account for anticipated inflation and increases in PTO fees, as allowed under current law.

## **BASIS OF ESTIMATE**

S. 2193 would amend certain provisions of trademark law to conform with international conventions. Sections 3 and 4 would ease some restrictions on applying for trademark registration, revising applications, and renewing trademarks. CBO estimates that these amendments would increase the number of applications, revisions, and renewals that the PTO processes each year. As a result, CBO estimates that implementing S. 2193 would result in \$12 million of new spending over the 1999-2003 period, assuming appropriation of the necessary amounts. Much of that cost would be offset by additional collections. The PTO charges applicants fees for trademark-related activities. In addition, section 5 would allow trademark holders a six-month grace period for renewing trademarks, provided that applicants pay a new grace-period surcharge. CBO estimates that enacting S. 2193 would result in \$7 million of new offsetting collections (credited against the appropriations) over the 1999-2003 period. Thus, the net additional cost to the PTO of these amendments would be about \$1 million a year.

Most of the \$5 million in estimated net new spending under S. 2193 would result from additional administrative burden. CBO assumes that under current law the number of trademark applications will continue to grow at historical rates from around 270,000 applications in 1999 to around 400,000 applications in 2003. CBO further assumes that under S. 2193 the number of trademark applications would increase by an additional 1 percent—or between 3,000 and 4,000 applications a year.

The PTO currently charges a fee of about \$250 per application, but each application costs around \$450 to process. The PTO is allowed to increase its fees at the rate of increase in the Consumer Price Index (CPI). But the vast majority of the PTO's costs for processing additional applications are driven by personnel costs, and civilian personnel costs are expected to increase more rapidly than the CPI over the 1999-2003 period. CBO projects that the increases in the CPI will average 2.7 percent per year over the 1999-2003 period, and that increases in civilian personnel costs will average 4.6 percent per year over the same period. As a result, CBO estimates that, in 2003, the PTO will charge about \$280 per application, but each application will cost about \$540 to process. Hence, the net cost of an additional 4,000 applications in 2003 would be about \$1 million.

Because S. 2193 would also ease restrictions for revising applications for trademarks and renewing trademarks, CBO estimates that an increased volume of renewals and revisions would result in additional annual spending for the 1999-2003 period. The PTO charges trademark holders for these services, and CBO estimates that net spending would increase by less than \$300,000 each year.

Section 7 would require the PTO to maintain a comprehensive computerized database of information on trademarks. Based on information from the agency, CBO estimates that in 1999 the PTO would need additional funding of nearly \$2 million to accelerate investments in information technology to satisfy that requirement.

**PAY-AS-YOU-GO CONSIDERATIONS:** None.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

Section 4 of UMRA excludes from the application of that act any legislative provisions that are necessary for the ratification or implementation of international treaty obligations. CBO has determined that S. 2193 fits within that exclusion, because it is necessary for the implementation of the Trademark Law Treaty.

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